

AR35

**General Motors of Canada Limited**  
**1971 Annual Report**





*In Memoriam*

## R. Samuel McLaughlin

1871-1972

R. Samuel McLaughlin, Chairman of the Board of General Motors of Canada Limited and a former vice president and director of General Motors Corporation, was largely responsible for the establishment and growth of the Canadian automobile industry.

His whole working life was devoted to making carriages and automobiles. Under his guidance, his father's McLaughlin Carriage Company in Oshawa, Ontario, evolved from a thriving horse carriage business into General Motors of Canada Limited, which now produces more than 500,000 vehicles a year.

He was born on September 8, 1871, at Enniskillen, a village a few miles north of Oshawa. His father was a farmer whose talent as a woodcarver led him into industry. A neighbour asked him to make a sleigh and soon his father set up a blacksmith shop,

hired an upholsterer and began manufacturing McLaughlin cutters and wagons. The business soon outgrew the farm workshop and, in 1876, the McLaughlin Carriage Works moved into a factory in Oshawa. In 1887, young Samuel became an apprentice in his father's firm. He was 16 years old, and brought to the business the same zeal and energy which characterized his entire life.

In 1892, when he was 21, his father took him and his brother, George, into the business as partners. By 1899, he had become chief designer and had created 143 different designs for carriages and sleighs, all of which were being produced. In December of 1899, disaster struck, when the McLaughlin plant was destroyed by fire. Mr. McLaughlin had to start again from scratch. He searched for a factory and finally found one in Gananoque. Within a month after the fire, the temporary plant was in production and, a year later, the company was re-organized as the McLaughlin Carriage Company Ltd., with a new plant in Oshawa. Volume soared to more than 25,000 carriages a year and sales passed the million-dollar mark.

In 1907, the McLaughlin Motor Car Company was formed with Mr. McLaughlin as its president and a contract was signed which provided that the Buick Motor Car Company was to supply the engine, while the McLaughlin Company would design and make the car. The McLaughlin Motor Car Company produced fewer than 200 cars in 1908, the first year of production.

His ability as a young business genius was soon recognized by his colleagues in the United States and in 1910 he was invited into General Motors as a director. In 1918, the McLaughlin Motor Car Company was joined with General Motors. Mr. McLaughlin became president of General Motors of Canada Limited and his brother, George, vice president, a position the latter held until his retirement in 1924.

Mr. McLaughlin continued as president until the end of World War II, and played an important part in converting the plant into an efficient producer of defense materials. Shortly after the war, Mr. McLaughlin had the only severe illness of his lifetime and asked to retire. GM, however, persuaded him to stay on as chairman of the board and as a vice president and director of the U.S. corporation.

Mr. McLaughlin was a philanthropist, a devoted family man and, above all else, a Canadian. He earned the respect and admiration of all who knew him for his business judgment, his generosity and thoughtfulness and his energy. "Mr. Sam's" many other interests included his several other important business associations; the gardens and lawns of Parkwood, his residence in Oshawa; horse racing and yacht racing; his art collection; and his philanthropies.

Until his death on January 6, 1972, at the age of 100, he brought an abundance of enthusiasm and talent to all of his activities—activities which reflected both his wide range of interests and his deep and abiding interest in Canada. His presence will be missed by all Canadians, but the evidence of his affection for his country and her people will continue for many years to come.

# General Motors of Canada Limited Annual Report 1971

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## HEAD OFFICE—OSHAWA, ONTARIO

### Plants in:

**Oshawa, Ontario**

**London, Ontario**

**Scarborough, Ontario**

**St. Catharines, Ontario**

**Windsor, Ontario**

**Ste-Thérèse Ouest, Quebec**

On peut se procurer l'édition française de ce rapport en écrivant au Secrétaire, General Motors of Canada Limited, William Street, Oshawa, Ontario.

### COVER:

PONTIAC PARISIENNE BROUHAM 4-Door Hardtop

## **GENERAL MOTORS OF CANADA LIMITED**

### **BOARD OF DIRECTORS**

JOHN D. BAKER  
President, General Manager and  
Chief Executive Officer

E. JOHN BARBEAU  
Executive Vice President and  
General Manufacturing Manager

LeROY D. BENCE  
Secretary, Executive Committee  
General Motors Corporation

CHARLES L. JENKINS  
Secretary and Treasurer

REUBEN R. JENSEN  
Vice President and Group Executive  
General Motors Corporation

JOHN D. MINTLINE  
Vice President and Finance Manager

FRANK O. RILEY  
Vice President and Group Executive  
General Motors Corporation

ROGER B. SMITH  
Vice President and Group Executive  
General Motors Corporation

### **OFFICERS**

JOHN D. BAKER  
President, General Manager and  
Chief Executive Officer

E. JOHN BARBEAU  
Executive Vice President and  
General Manufacturing Manager

JOHN D. MINTLINE  
Vice President and Finance Manager

FREDERICK W. WALKER, JR.  
Vice President

CHARLES L. JENKINS  
Secretary and Treasurer

JOHN R. EDMAN  
Comptroller

## GENERAL MOTORS OF CANADA LIMITED HIGHLIGHTS

	1971	1970
<b>DOLLAR SALES OF ALL PRODUCTS.....</b>	<b>\$2,493,082,000</b>	<b>\$1,390,285,000</b>
<b>FACTORY SALES OF CARS AND TRUCKS</b>		
Cars.....	407,000	222,000
Trucks and coaches.....	102,000	69,000
<b>Total.....</b>	<b>509,000</b>	<b>291,000</b>
<b>NET INCOME (LOSS).....</b>	<b>\$ 79,763,000</b>	(\$ 26,209,000)
<b>TAXES</b>		
Provision (Credit) for income taxes.....	\$ 69,149,000	(\$ 33,809,000)
Other taxes.....	24,239,000	20,788,000
<b>Total.....</b>	<b>\$ 93,388,000</b>	(\$ 13,021,000)
<b>REAL ESTATE, PLANTS AND EQUIPMENT</b>		
Plant expenditures for year.....	\$ 43,397,000	\$ 83,187,000
Balance at December 31.....	282,081,000	281,646,000
<b>EMPLOYMENT</b>		
Average number of employees.....	28,000	21,000
Total payrolls.....	\$ 320,435,000	\$ 208,500,000

### WHAT HAPPENED TO THE REVENUE GM OF CANADA LIMITED RECEIVED DURING 1971

GM OF CANADA LIMITED RECEIVED From sale of its products and other income.....	millions	
	\$2,503.9	100%

### THIS REVENUE WENT

To suppliers for materials, services, etc.....	\$1,904.5	76%
To employees for payrolls, employee benefit plans, etc.....	\$ 384.6	15%
For income and other taxes.....	\$ 93.4	4%
To provide for depreciation and obsolescence of real estate, plants and equipment.....	\$ 41.6	2%
For dividend.....	\$ 45.5	2%
For use in the business to provide for expansion and modernization of facilities and for working capital	\$ 34.3	1%

## THE PRESIDENT'S LETTER

This first annual report of General Motors of Canada Limited marks a milestone in the history of one of Canada's major manufacturing companies.

The automobile industry in Canada has expanded with the economic development of the country. The industry both contributed to and benefited from the economic growth. While it took General Motors of Canada 30 years to build its first one million vehicles, the Company now builds that number approximately every two years.

The increase in annual production from less than 200 cars in 1908 to over 500,000 vehicles in 1971 has been accompanied by a steady expansion of facilities, employment and purchases of Canadian-made goods and services. Today, total factory floor space of GM of Canada is over 12,000,000 square feet.

General Motors of Canada Limited is primarily a car and truck manufacturer. However, other products manufactured and sold include diesel locomotives, coaches, earthmoving equipment and various automotive components. In addition, the Company distributes diesel engines in Canada.

The Company has undergone a period of major growth, widening its sphere of operations from a national manufacturer to an international company serving all of North America and 52 countries abroad.

This growth reflects the effect of a trade agreement between Canada and the United States signed in 1965 which provides, under certain conditions, duty-free treatment for automotive products shipped between the two countries.

Operations in 1971 reached a new high. Total sales of cars and trucks were over 688,000 units, more than double the sales level of only seven years ago. Dollar sales were approximately \$2.5 billion, and net income was \$80 million, placing General Motors of Canada Limited among the largest companies in Canada.

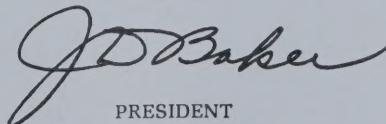
GM of Canada stands ready to participate fully in the emerging opportunities for growth in the rapidly changing and expanding markets of the future. We are confident that our Company will be an increas-

ingly significant contributor to the future growth of Canada. Our past success, present competitive position and excellent prospects for the future could not have been achieved without the aid of our employees, dealers and suppliers and the loyalty of our customers. To all, we express our sincere appreciation.

Appreciation is also expressed to Roland S. Withers, who served as president, general manager and chief executive officer of General Motors of Canada Limited and as a member of the GM of Canada Board of Directors from November 4, 1968 until December 1, 1971, when he transferred to General Motors Corporation as Vice President on special assignment reporting to the Vice President in Charge of the Car and Truck Group. His association with GM of Canada covered a period of major growth for the company, and he provided imaginative and able leadership.

It is with deep sorrow that we note the death of R. Samuel McLaughlin, Chairman of the Board of General Motors of Canada Limited, former Vice President and member of the Board of Directors of General Motors Corporation, and Canada's leading industrial pioneer. Mr. McLaughlin died on January 6, 1972, at the age of 100.

Mr. McLaughlin gave unselfishly of himself to both his country and General Motors, and his wise counsel and guidance will be missed. He was active in the business on a daily basis until just a few months ago. He was an important part of our industry from the beginning, and he devoted more than 80 years of his life to General Motors and all of it to Canada. His life span was only a few years shorter than that of the Dominion itself. Our sense of loss is in some measure compensated for by the memories of his long and full life of service to his country, his community and General Motors.



J.D. Baker

PRESIDENT

January 31, 1972

## REVIEW OF OPERATIONS

Factory sales of cars, trucks and coaches produced by General Motors of Canada Limited in 1971 totalled 508,665 vehicles, in addition to sales of 179,824 vehicles imported into Canada. This excellent level of business was reached primarily because of the high level of demand for the Company's products and the need to restock dealer inventories following the conclusion of the 1970 United Automobile Workers strike, which shut down most General Motors facilities in Canada for 14 weeks.

Of the total units produced and imported, 358,816 were sold in Canada, 293,610 were shipped to the United States, and 36,063 were exported to 52 other countries. Sales of vehicles imported by General Motors of Canada from countries outside North America

totalled 7,444 units in 1971.

Dollar sales by General Motors of Canada Limited in 1971 totalled a record \$2.5 billion, 79% above strike-affected 1970.

Net income was a record \$80 million in 1971. In 1970, a net loss of \$26 million was incurred. The effect of the 1970 strike is also reflected in the Statement of Source and Application of Funds shown on page 16. The increase in notes and accounts with affiliated companies shown as a source of funds in 1970 was due principally to the extended terms given the Company by General Motors Corporation. The extended terms made available \$173 million in funds. The return to normal operations in 1971 resulted in a decrease in these notes and accounts as customary terms were restored.

**CHEVROLET CAPRICE 4-Door Hardtop**



Dividends paid amounted to \$45.5 million in both 1971 and 1970. The 1970 dividend was paid early in the year out of prior years' earnings. Dividends paid over the past ten years have averaged approximately 65% of net income.

The business atmosphere in Canada during the latter part of 1971 was clouded by uncertainty resulting from the international monetary situation. However, business volume continued to increase. Industrial production rose to a new high, and consumer buying was strong.

Industry new car and truck retail sales during 1971 totalled 927,967 units, 21% above strike-affected 1970. Imports from countries outside North America accounted for 23% of the industry total in 1971, compared with 22% in 1970.

### **Manufacturing Operations**

The Oshawa, Ontario, fabricating and assembly plants produce both Chevrolet and Pontiac passenger cars, Chevrolet and GMC light trucks and automotive radiators, batteries, wiring harnesses, stampings and plastic components. These plants also ship both assembled and unassembled vehicles to overseas locations and assembled vehicles to the United States.

The Ste-Thérèse Ouest, Quebec, plant assembles regular-size Pontiac passenger cars. In the fall of 1972, the Ste-Thérèse plant will begin producing Chevrolet Vegas. In Windsor, Ontario, General Motors of Canada has two plants: one manufactures interior trim for passenger cars and light trucks and the other manufactures automatic transmissions.

The St. Catharines, Ontario, plants manufacture and assemble, among other things, engines, axles, starting motors, foundry castings, Delcotron alternators and spark plugs.

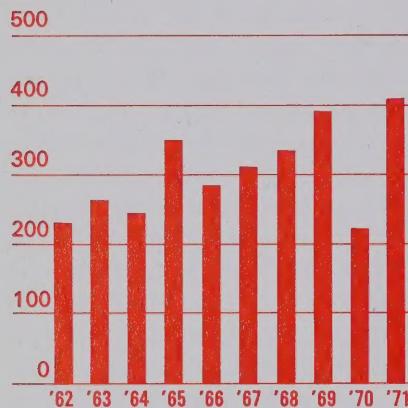
The plant in Scarborough, Ontario, produces automotive components such as sealed beam lamps, headlamp capsules, engine push rods, steel tubing, instrument clusters, radios, horns, shock absorbers, air cleaners and propeller shafts.

In London, Ontario, the Diesel Division manufactures diesel-electric locomotives, TEREX off-highway haulers and front-end loaders and GM coaches. This Division also distributes Detroit Diesel Allison engines and transmissions and TEREX scrapers and crawler tractors, as well as Electro-Motive diesel marine engines and power generating equipment.

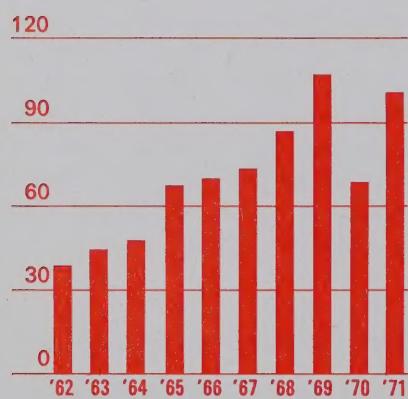
**BUICK SKYLARK CUSTOM 2-Door Hardtop**



**Factory Sales of Cars**  
thousands of units



**Factory Sales of Trucks**  
thousands of units



**Factory Sales of Cars and Trucks**  
thousands of units



### **Imports of Firenza and Opel Vehicles**

Sales of cars imported from General Motors vehicle manufacturing subsidiaries in England and Germany totalled 7,444 units in 1971. Their sales accounted for 2% of GM of Canada's total unit sales in Canada and for 3% of all new overseas-produced vehicle registrations in 1971. They included the Firenza and Opel GT passenger car models.

### **GM Dealers in Canada**

General Motors cars and trucks are marketed in Canada by 1,014 dealers across the country. These dealers are independent businessmen who maintain large investments in sales and parts and service facilities. They employ approximately 27,500 men and women and their investment is approximately \$175 million. In addition, there are 391 United Delco-AC distributors who market automotive service parts and equipment.

Detroit Diesel Allison products are sold through nine independent distributors with a total of 52 outlets throughout Canada. TEREX products are marketed by nine dealers in 25 locations.

### **Buying From Canadian Suppliers**

Even though General Motors of Canada Limited manufactures many components for its products, it still depends on approximately 6,300 suppliers located throughout Canada. The prod-

ucts of Canadian steel plants, rubber and glass factories, paper and textile mills, paint factories and many others are used by General Motors of Canada plants.

### **Training Centres**

The company operates 10 permanent Service Training Centres in Canada, where dealer service personnel take regular courses and study new product service techniques under factory-trained instructors. In 1971, almost 6,000 individuals received training in these areas.

### **Expenditures for Plants and Equipment**

Three GM of Canada plants—the car assembly plant at Ste-Thérèse, the interior trim plant at Windsor and the truck assembly plant at Oshawa—were built in the nineteen-sixties.

In the past five years, GM of Canada spent \$241 million to build new plants and modernize existing facilities. Reflecting these substantial outlays, gross investment in real estate, plants and equipment at the end of 1971 was \$594 million.

Expenditures in 1972 and subsequent years will continue at a high level to keep GM of Canada's plants efficient and up-to-date and to provide the additional capacity called for by anticipated long-term market growth.

### **Industrial Pollution Control**

General Motors of Canada

has committed itself to taking its plants out of the industrial pollution problem as soon as possible. A \$23.3 million program to control air and water pollution from Canadian plants is progressing rapidly. Completion is scheduled for 1973. It is one of the largest programs ever undertaken in Canada for the treatment of waste liquids and stack emissions.

The largest part of the program is at St. Catharines, Ontario, with the installation of new equipment to control foundry emissions. The cost of this program alone exceeds \$12 million. Construction of a new water pollution control facility also is under way. When completed, the new facility will treat all forms of liquid waste before discharge into the municipal sewage system.

At Oshawa, Ontario, a number of air and water purification projects have been completed in the power house, paint shop, and component manufacturing areas. Other significant installations are under way to clean waste water at the passenger car and truck plants. A \$1.9 million facility to clean waste water at the Windsor, Ontario transmission plant has been completed and is in operation. At GM of Canada's Diesel Division, London, Ontario, approximately \$400,000 has been spent on new and improved air and water pollution control facilities.

Other projects include the alteration of exhaust systems

and installation of dust collectors at the plant in Scarborough, Ontario, and of air emission controls at the Windsor trim plant. At these plants and at the passenger car assembly plant at Ste-Thérèse Ouest, GM of Canada and the government agencies concerned are conducting continuing joint studies of present and future needs.

#### **Organization Changes**

Effective December 1, 1971, John D. Baker, formerly Manager of Operations, Fisher Body Division, General Motors, succeeded Roland S. Withers as President, General Manager and Chief Executive Officer of General Motors of Canada Limited and as a member of its Board of Directors.

In 1970, Frigidaire appliance production was discontinued in Canada. Frigidaire Division's manufacturing operations at Scarborough were then limited to automotive parts production, and the facility is now being operated as a plant of GM of Canada.

Effective December 31, 1971, two operating companies—General Motors Trim Limited and GM-DI of Canada Limited—and two inactive companies were combined with General Motors of Canada Limited.

**Metal discing operations prior to painting are carried out at the Oshawa assembly plant.**



## PEOPLE OF GM OF CANADA



From its earliest days, GM of Canada has been known as a good place to work. Many families have been associated with the Company since the carriage-building days. About 2,500 current Canadian employees are members of the 25-Year Club.

### Salaries and Wages

GM of Canada's average employment was approximately 28,400 in 1971 and payrolls totalled \$320 million. In 1971, average weekly wages of hourly employees were \$207.03 for an average workweek of 38.6 hours.

Under the GM of Canada wage adjustment formula, hourly employees received an improvement factor increase ranging from 11 to 21 cents an hour effective November 22,

1971. Also, GM of Canada hourly employees received increases of 3 cents an hour and 10 cents an hour on September 20 and December 20, 1971, respectively, to reach parity in base wage rates between the United States and Canada.

Eligible salaried employees in Canada received a 3% salary increase ranging from \$19 to \$58 per month effective December 1, 1971. Also, effective December 1, 1971, the monthly base salary of all eligible salaried employees was increased by \$16.67 to provide parity in base salaries between the United States and Canada.

### Employee Benefit Programs

In 1971, GM of Canada paid

1



Engine block moulds are filled with molten iron at the St. Catharines foundry (Figure 1). Interior trim material is prepared on automatic cutters at the Windsor trim plant (Figure 2). Employees at Diesel Division perform final welding operations on a diesel locomotive (Figure 3).

\$63 million for benefit programs for its employees.

The most important employee benefit programs include the insurance program, the pension program and the supplemental unemployment benefit plan. The insurance program provides life insurance, sickness and accident benefits, and hospital, medical, surgical and prescription drug coverage.

At the end of 1971, over 3,200 persons were receiving benefits under the Canadian pension program. Funds under the program are managed by two Canadian trust companies and virtually all of the funds are invested in Canadian securities.

#### **Suggestion Plan**

General Motors of Canada

2



Limited encourages the initiative and ingenuity of its employees. Both salaried and hourly employees are eligible to receive awards of up to \$10,000 for worthwhile suggestions for improving methods, material savings and plant and product safety. General Motors of Canada employees have been paid \$6 million for their suggestions since the Plan started in 1943. Payments in 1971 under the GM of Canada Suggestion Plan amounted to almost \$700,000.

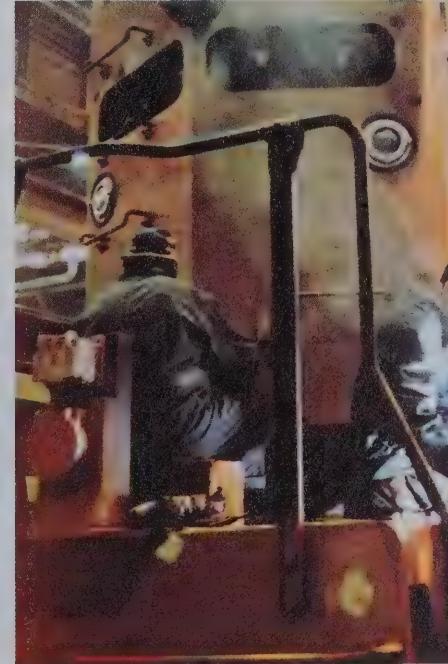
#### **Savings-Stock Purchase Program**

All salaried employees in Canada with more than one year of service are eligible to participate in the Canadian GM

Savings-Stock Purchase Program. An employee may save up to 10% of his base salary and cost-of-living allowance, and the Company contributes \$1 for each \$2 the employee saves. Participation in the Program was good in 1971, with 79% of eligible salaried employees saving an average of 7.8% of their salaries.

A total of 3,757 employees in Canada were in the class of 1966 when it matured at the end of 1971. They received or were credited with GM common stock, Canada Savings Bonds and cash, valued at \$4.4 million, the equivalent of \$1.84 for each \$1 they had invested in the Program.

3



### **Educational Aid for Employees**

A total of 774 Canadian hourly and salaried employees continued their education in 1971 through participation in the Tuition Refund Plan. Under this Plan, GM of Canada reimburses the employee in an amount up to \$500 a year for the satisfactory completion of approved courses in recognized educational institutions.

Employees studying under the Plan were awarded four bachelor degrees and two graduate degrees in 1971. Refunds and individual graduate fellowships granted totalled \$81,000.

During 1971, there were 88 Canadian students enrolled at General Motors Institute, Flint, Michigan, under the sponsorship of General Motors of Canada Limited. General Motors Institute offers five-year courses leading to degrees in engineering and industrial administration, with alternating periods of academic study and related paid work assignments

**A worker installs an automobile instrument panel assembly at the Ste-Thérèse plant.**

at sponsoring General Motors operations.

### **Apprentice Training**

General Motors of Canada recognizes that doing business in today's competitive world calls for a large supply of skilled employees. For this reason, an extensive Apprentice Training Program is conducted to develop skilled tool and die makers, draftsmen, machinists, electricians, welders, pipefitters, pattern makers and machine repairmen.

In 1971, GM of Canada plants had 161 apprentices in training.

### **Aid to Higher Education**

Realizing that the accumulation and utilization of knowledge is essential to industrial progress, General Motors of Canada grants financial aid to Canadian universities and Canadian students under the terms of the General Motors Canadian Scholarship Program.



**STATEMENT OF INCOME AND  
NET INCOME RETAINED FOR USE IN THE BUSINESS**

for the years ended December 31, 1971 and 1970

	<b>Year 1971</b>	<b>Year 1970</b>
<b>NET SALES (Note 3).....</b>	<b>\$2,493,081,584</b>	\$1,390,284,555
Other income less sundry income deductions.....	10,852,125	2,200,539
<b>TOTAL.....</b>	<b>2,503,933,709</b>	<b>1,392,485,094</b>
<b>LESS</b>		
Cost of sales and other operating charges, exclusive of items listed below .....	2,172,188,607	1,303,871,813
Selling, general and administrative expenses.....	59,120,857	45,805,545
Depreciation and obsolescence of real estate, plants and equipment (Note 4).....	41,646,783	37,828,123
Amortization of special tools (Note 4).....	73,932,322	57,983,860
Interest expense (Note 5).....	8,132,444	7,014,355
Provision (Credit) for income taxes (Note 6) .....	69,149,294	( 33,809,463)
<b>TOTAL.....</b>	<b>2,424,170,307</b>	<b>1,418,694,233</b>
<b>NET INCOME (LOSS) for the year.....</b>	<b>79,763,402</b>	( 26,209,139)
<b>NET INCOME RETAINED FOR USE IN THE BUSINESS</b>		
at beginning of the year.....	258,108,974	329,818,113
<b>TOTAL.....</b>	<b>337,872,376</b>	<b>303,608,974</b>
<b>LESS CASH DIVIDENDS (December 15, 1971; February 27, 1970)</b>	<b>45,500,000</b>	<b>45,500,000</b>
<b>NET INCOME RETAINED FOR USE IN THE BUSINESS</b>		
at end of the year.....	<b>\$ 292,372,376</b>	<b>\$ 258,108,974</b>

Reference should be made to notes on pages 16 through 18.

**BALANCE****December 31,****ASSETS**

	<u>Dec. 31, 1971</u>	<u>Dec. 31, 1970</u>
<b>CURRENT ASSETS</b>		
Cash.....	\$ 5,037,591	\$ 30,875,755
Time deposits.....	<u>73,914,194</u>	30,000,000
Income taxes recoverable (Note 6).....	—	56,623,384
Accounts and notes receivable:		
Trade—General Motors Corporation and its subsidiaries.....	73,363,426	25,295,154
Other trade and sundry.....	<u>47,698,020</u>	31,526,392
Inventories—at the lower of cost (substantially first-in, first-out or average) or market (Note 7).....	<u>213,231,315</u>	208,955,662
Prepaid expenses.....	<u>569,906</u>	745,208
<b>TOTAL CURRENT ASSETS</b> .....	<b><u>413,814,452</u></b>	<b><u>384,021,555</u></b>
<b>PROPERTY (Note 4)</b>		
Real estate, plants and equipment—at cost.....	594,491,374	566,222,805
Less accumulated depreciation and obsolescence .....	<u>312,409,955</u>	284,576,796
<b>Net Real Estate, Plants and Equipment</b> .....	<b><u>282,081,419</u></b>	<b><u>281,646,009</u></b>
Special tools—at cost less amortization .....	<u>9,010,963</u>	<u>57,163,830</u>
<b>TOTAL PROPERTY</b> .....	<b><u>291,092,382</u></b>	<b><u>338,809,839</u></b>
<b>OTHER ASSETS</b> .....	<b><u>932,617</u></b>	<b><u>589,641</u></b>
<b>TOTAL ASSETS</b> .....	<b><u>\$705,839,451</u></b>	<b><u>\$723,421,035</u></b>

Reference should be made to notes on pages 16 through 18.

Approved by the Board:

J. D. BAKER Director

J. D. MINTLINE Director

**SHEET****1971 and 1970****LIABILITIES AND SHAREHOLDERS' EQUITY**

	<u>Dec. 31, 1971</u>	<u>Dec. 31, 1970</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable:		
Trade—General Motors Corporation and its subsidiaries.....	\$ 35,047,809	\$112,598,182
Other trade and sundry.....	59,781,085	45,998,904
Income and other taxes payable.....	83,473,892	4,776,409
Payrolls and sundry accrued items.....	47,083,903	26,367,420
Bank loans.....	—	40,200,000
Notes payable to General Motors Corporation.....	—	32,497,350
<b>TOTAL CURRENT LIABILITIES</b> .....	<b>225,386,689</b>	<b>262,438,265</b>
<b>LONG-TERM DEBT</b> (Note 5) .....	<b>100,000,000</b>	<b>91,342,472</b>
<b>DEFERRED INCOME TAXES</b> (Note 6) .....	<b>7,243,335</b>	<b>21,117,998</b>
<b>OTHER LIABILITIES</b> .....	<b>7,300,449</b>	<b>16,876,724</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock—\$100 par value; authorized, issued and fully paid, 703,250 shares.....	70,325,000	70,325,000
Capital surplus (principally additional paid-in capital).....	3,211,602	3,211,602
Net income retained for use in the business.....	292,372,376	258,108,974
<b>TOTAL SHAREHOLDERS' EQUITY</b> .....	<b>365,908,978</b>	<b>331,645,576</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<b>\$705,839,451</b>	<b>\$723,421,035</b>

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the years ended December 31, 1971 and 1970

	Year 1971	Year 1970
<b>Source of Funds</b>		
Net income (Loss) . . . . .	\$ 79,763,402	(\$ 26,209,139)
Depreciation and obsolescence of real estate, plants and equipment . . . . .	41,646,783	37,828,123
Amortization of special tools . . . . .	73,932,322	57,983,860
Deferred income taxes—net (Note 6) . . . . .	( 13,874,663)	16,894,657
Total current operations . . . . .	<u>181,467,844</u>	86,497,501
Increase in notes and accounts payable to General Motors Corporation and its subsidiaries—net . . . . .	—	172,798,360
Long-term notes issued to banks . . . . .	100,000,000	—
Increase (Decrease) in accounts payable—other . . . . .	34,498,664	( 22,336,196)
Disposals of property . . . . .	1,315,238	1,755,135
Increase (Decrease) in income and other taxes payable . . . . .	78,697,483	( 21,878,629)
Total . . . . .	<u>395,979,229</u>	<u>216,836,171</u>
<b>Application of Funds</b>		
Decrease in notes and accounts payable to General Motors Corporation and its subsidiaries—net . . . . .	249,458,467	—
Decrease in short-term bank loans . . . . .	40,200,000	610,000
Dividends paid . . . . .	45,500,000	45,500,000
Expenditures for special tools . . . . .	25,779,455	91,152,539
Expenditures for real estate, plants and equipment . . . . .	43,397,431	83,186,586
Increase (Decrease) in accounts and notes receivable—other . . . . .	16,171,628	( 17,416,173)
Increase (Decrease) in inventories . . . . .	4,275,653	( 12,837,885)
Other—net . . . . .	9,743,949	( 2,700,160)
Total . . . . .	<u>434,526,583</u>	<u>187,494,907</u>
<b>Increase (Decrease) in cash, time deposits and income taxes recoverable . . . . .</b>	<b><u>( \$ 38,547,354 )</u></b>	<b><u>\$ 29,341,264</u></b>

Reference should be made to notes on pages 16 through 18.

### NOTES TO FINANCIAL STATEMENTS

#### 1. Principles of Combination

General Motors of Canada Limited is a wholly-owned subsidiary of General Motors Corporation and conducts General Motors manufacturing and wholesale marketing operations in Canada. The Company was formed as of December 31, 1971 by an amalgamation

of five wholly-owned Canadian subsidiaries of General Motors Corporation. The combination was accounted for as a pooling of interests. There was no change in the aggregate capital stock, \$70,325,000, of the combined companies.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 2. Transactions in Foreign Currencies

Transactions in foreign currencies have been stated in Canadian currency at the average rates of exchange for the months in which they occurred. The current portions of assets and liabilities which are to be settled in foreign currencies have been stated in Canadian currency at the rates of exchange in effect at the balance sheet dates; the noncurrent portions of such assets and liabilities have been stated in Canadian currency at rates which were in effect at the dates of the related transactions.

### 3. Net Sales

The Company is engaged primarily in a single class of business — the manufacture, assembly and distribution of products which relate to transportation equipment consisting principally of passenger cars, trucks, coaches and locomotives as well as parts and accessories. Net sales included sales to affiliated companies of \$1,116,715,103 in 1971 and \$603,906,405 in 1970.

### 4. Properties and Depreciation Policy

Real estate, plants and equipment consisted of the following:

	December 31,	
	1971	1970
Land, buildings and improve- ments .....	\$205,194,053	\$201,767,929
Machinery, equipment and furniture .....	357,704,227	326,652,079
Construction in progress .....	31,593,094	37,802,797
<b>Total.....</b>	<b>\$594,491,374</b>	<b>\$566,222,805</b>

Depreciation is computed by an accelerated method which accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated lives of the property.

Expenditures for special tools are amortized over short periods of time because the utility value of the tools is radically affected by frequent changes in the design of the functional components and styling of the product. Replacements of special tools, for reasons other than changes in products, are charged directly to cost of sales.

### 5. Long-Term Debt and Interest Expense

Under the terms of a loan agreement with several banks, the Company borrowed \$100,000,000 on September 15, 1971, repayable on September 15, 1976, and agreed to maintain working capital of at least \$75,000,000 and shareholders' equity of at least 2½ times the outstanding principal amount of the loan. The long-term debt at December 31, 1970 was payable to General Motors Corporation. Proceeds from the September 1971 borrowings were used to repay short-term bank borrowings and loans payable to General Motors Corporation.

Interest expense includes interest on long-term debt of \$6,345,546 in 1971 and \$4,529,891 in 1970.

### 6. Provision for Income Taxes

The provision (credit) for income taxes consisted of the following:

	Year	
	1971	1970
Taxes payable currently .....	\$83,023,957	\$ 2,490,313
Deferred income taxes .....	( 13,874,663)	16,894,657
Recovery of a portion of 1969 income taxes ...	—	( 53,194,433)
<b>Total.....</b>	<b>\$69,149,294</b>	<b>(\$33,809,463)</b>

**NOTES TO FINANCIAL STATEMENTS (concluded)**

As a result of the net loss for 1970, one of the predecessor companies was entitled to recover advance payments made in anticipation of having a tax liability for that year.

**7. Inventories and Purchases**

Inventories are valued at the lower of cost or market. The market value for finished product represents net realizable value and for other inventories represents replacement cost. Purchases of materials and services from affiliated companies amounted to \$1,272 million in 1971 and \$702 million in 1970.

**8. Pension Program**

The Company participates with certain affiliated companies in Canada in pension plans covering substantially all of its employees.

As of December 31, 1971, the actuarially computed value of vested benefits for these

plans exceeded the total of the pension funds, at market, and balance sheet accruals by approximately \$38 million and the unfunded past service pension costs amounted to approximately \$222 million. These past service costs are being funded and amortized over periods extending through 1989.

**9. Remuneration of Officers and Directors**

The following information is reported in accordance with the requirements of Section 122.2 of the Canada Corporations Act.

In 1971, no remuneration as directors was paid by the Company to the nine persons who served as directors in 1971; remuneration as officers aggregating \$963,606 was paid by the Company to the nine persons who served as officers, five of whom also served as directors.

**AUDITORS' REPORT**

DELOITTE, HASKINS & SELLS  
Chartered Accountants

Royal Trust Tower  
Toronto — Dominion Centre  
Toronto 111, Ontario

To the Shareholders of General Motors of Canada Limited:

We have examined the Balance Sheet of General Motors of Canada Limited as at December 31, 1971 and 1970 and the related Statements of Income and Net Income Retained for Use in the Business and Source and Application of Funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1971 and 1970 and the results of its operations and the source and application of its funds for the years then ended, in accordance with generally accepted accounting principles consistently applied.

*Deloitte, Haskins & Sells*

January 31, 1972.

**STATISTICAL SUMMARY****Unit Sales of Cars and Trucks**

Year	Manufactured in Canada				Total Unit Sales	Unit Sales by Areas		
	Cars	Trucks and Coaches	Total Factory Sales	Imported Vehicles		Canada	United States	Other Countries
1962	230,437	38,187	268,624	23,123	291,747	283,649	—	8,098
1963	263,560	44,091	307,651	7,621	315,272	305,341	—	9,931
1964	245,797	47,570	293,367	22,800	316,167	295,865	—	20,302
1965	350,539	67,988	418,527	23,255	441,782	401,176	—	40,606
1966	286,449	69,958	356,407	38,136	394,543	356,491	7,627	30,425
1967	312,060	73,767	385,827	86,198	472,025	338,822	102,872	30,331
1968	336,715	86,864	423,579	114,418	537,997	361,455	142,982	33,560
1969	393,956	107,178	501,134	130,971	632,105	353,546	247,205	31,354
1970	222,243	68,684	290,927	100,797	391,724	210,760	154,180	26,784
1971	407,175	101,490	508,665	179,824	688,489	358,816	293,610	36,063



This 53-passenger coach is equipped with an environmental improvement program package which reduces noise and exhaust odour.

Largest of its kind built in Canada, the new TEREX 33-15 heavy hauler has a 150-ton payload and is powered by a 1,600 horsepower Diesel engine.



This SD-40 Diesel Division locomotive is powered by a 16-cylinder Diesel engine delivering 3,000 horsepower.





**OLDSMOBILE DELTA 88 Hardtop Coupe**

**GMC Pickup**



**CADILLAC SEDAN DE VILLE**



**General Motors of Canada Limited**

**1971 Annual Report**